



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

THE FUTURE OF LABOR¹

BY ANDREW CARNEGIE,
New York City.

From the dawn of history until now man, overcoming temporary interruptions, has steadily developed, making great progress in every field. Contrast his condition at various periods in the past with the present and we have one unbroken record of improvement, morally, intellectually, and physically. Infant mortality is very much less, the death-rate has fallen, the average of life has lengthened. Pestilences which swept away our progenitors are to-day unknown. Many diseases once uncontrollable are now conquered. The homes of the people have improved and the poor are now taken care of. The food and clothing of the people are better, hours of labor less, wages much higher. Free education leaves no child in ignorance; illiteracy is almost unknown. Carlyle only ventured to imagine a future when every considerable town would have a collection of books; now they have free public libraries. Even the prisons have been improved. Sentences for crime have been lightened. Man has become more law-abiding and better behaved. There is less intemperance, and crime is less frequent. In every domain the comforts of life have been increased, its miseries mitigated. The masses of the people are better housed, better fed, better clothed, better educated and better paid than ever before, and the sums in the savings banks were never so great.

In all English-speaking lands the rule of the people prevails; only in Britain is hereditary privilege allowed to exist and obstruct their rule. Every public office is open to ability. Power is now in the hands of the masses wherever the English language is spoken. Never have the masses made such rapid and substantial progress as in recent years.

If we contrast what the laborer is with what he was, the difference is great. He was once slave, then serf who did manual labor; up to a century ago he was still a villein and was sold with

¹From "Problems of To-day," by Andrew Carnegie. Copyright, 1908, by Doubleday, Page and Company.

the mine—that is, he could not leave it without the consent of the proprietor. Till recent times he was not paid in cash. Now he is a freeman, and sells the labor the mine-owner buys, both equally independent. With their trades unions, cash payments,—masters of themselves, and their labor,—it is clear that workingmen have shared in the general advance. The wand of progress has not passed them by untouched, nor are we without evidence that the march of their improvement is not to stop.

Yet it cannot be claimed that conditions are satisfactory as they exist. In the future, labor is to rise still higher. The joint-stock form opens the door to the participation of labor as shareholders in every branch of business. In this, the writer believes, lies the final and enduring solution of the labor question. The Carnegie Steel Company made a beginning by making from time to time forty-odd young partners, only one was related to the original partners, but all were selected upon their proved merits after long service. None contributed a penny. Their notes were accepted, payable only out of the profits of the business. Great care was taken to admit workers of the mechanical department, which had hitherto been neglected by employers. The first time a superintendent of one of the works was made a partner attracted attention, but as we kept on admitting men who had risen from the ranks as mechanics, we found it more and more advantageous. The superintendents now sat in conference at the board with the managers in the office. From this policy sprang the custom of bonuses awarded yearly to men in subordinate positions who had done exceptional work. This class naturally felt that they were on the upward road to admission as partners; their feet upon the ladder.

The problem presented by the combination of many steel works into the one United States Steel Corporation was not altogether new, for individual and corporate management have co-existed since joint-stock companies were formed. The former had undoubtedly great advantages over the latter. Able men managing their own works, in competition with large bodies of shareholders employing salaried managers, were certain to distance their corporate competitors, and did so. Nothing can stand against the direct management of owners. The United States Steel Corporation realized this, and as a substitute resolved to adopt the policy of interesting its officers and employees in its shares. Some plan of profit-sharing

was soon seen to present the best, and indeed the only, substitute for individual management. This idea the writer highly approved in his presidential address to the Iron and Steel Institute in London, in 1903, but ventured to point out one serious defect. The investments in the shares of the company proposed to the men were to be at the risk of the purchasers. We added that "this seems a feature we may, however, expect the corporation to change as experience is gained." "Every employee a shareholder" would prevent most of the disputes between capital and labor, and this chiefly because of the feeling of mutuality which would be created, now, alas! generally lacking. To effect this, every corporation could well afford to sell shares to its saving workmen, giving preference in repayment at cost as a first charge in case of disaster, just as present laws provide first for the mechanic's lien and for homestead exemption. This is due to the workingman, who necessarily buys the shares without knowledge, and he is asked to buy them, not solely for his own advantage, but for the benefit of the company as well—the advantage of both. This view, as expressed by the writer in the address referred to, we rejoice to say, has been adopted by the Steel Corporation, and its last offer of shares guarantees the men against loss.

Two and a half million dollars worth of additional stock was offered by the Steel Company to workmen this year (1908) and all taken, and twenty-five thousand more of the employees applied for shares, many for one share only, and these are to be provided, so that nearly one hundred thousand workmen of this company are soon to be shareholders, *i. e.*, part owners having a right to vote with their fellow-proprietors, and sharing in the profits. These workers have their feet upon the ladder, and are bound to rise. They are very likely to save and invest more and more.

In the percentage allotted by the plan to reward exceptional officials we have for the huge corporation perhaps the best substitute attainable for the magic of partnership, which nothing, however, can approach. The reward of departmental officials may readily be secured under this provision. In the bonus granted yearly upon shares held by the employees we have proof of regard for them which cannot but tell, and the distribution of shares in the concern among them gives an advantage which so far no partnership even has enjoyed. The latter will no doubt adopt the plan, or find some equivalent, for the workman owning shares in absolute security will

prove much more valuable than one without such interest, and many incidental advantages will accrue to the company possessed of numerous shareholding employees who may some day see their representative welcomed to the board of directors. This would prove most conducive to harmony, knowledge of each other on the part of owners and workmen being the best preventive of dissatisfaction.

The strict political economist of our day may look askance at the idea of a minimum wage and a guarantee for the workmen against loss upon their shares, in companies in which they hold a minority interest; but whatever final form the merger of labor and capital may assume in the distant future, these features seem to be essential under present conditions. If taxation should be borne only according to ability to pay, it is not wholly unreasonable that the workman should not be subject to loss, for, having only a minimum wage, he has no ability to incur loss. The exemption of a stated sum from income-tax in Britain, and in America the exemption of the small homestead, are examples of this principle. Should the workmen hold the majority of shares and really manage the business, exemption from sharing loss should cease.

We are just at the beginning of profit-sharing, and the reign of workingmen proprietors, which many indications point to as the next step forward in the march of wage-paid labor to the higher stage of profit-sharing—joint partnership—workers with the hand and workers with the head paid from profits—no dragging of the latter down, but the raising of the former up.

So far as the system has been tried it has proved a decided success, and it can easily be continued, since it is proving mutually beneficial to capital and labor. One of the greatest advantages, the writer thinks will be found in drawing men and managers into closer intercourse, so that they become friends and learn each other's virtues, for that both have virtues none knows better than the writer, who has seen both sides of the shield as employee and employer. "We only hate those we do not know," says the French proverb. There is much truth in this. In vast establishments it is very difficult, almost impossible, for workmen and employers to know each other, but when the managers and workmen are joint owners, and both paid wages, as even the president of the company is, we shall see greater intercourse between them. In the case of disputes, it is certain that the workmen-partners have a status nothing else can give. They can

attend all shareholders' meetings and have a voice there if desired. Entrance into the partnership class means increased power to workmen. On the other hand, knowledge of the company's affairs, its troubles and disappointments, which come at intervals to the most successful concerns, will teach the workman much that he did not know before.

Co-partnership tends to bring a realizing sense of the truth to both labor and capital that their interests, broadly considered, are mutual; and as far as the latter is concerned it may finally, in some cases, be all furnished by those engaged in the works, which is the ideal that should be held in view—the workman both capitalist and worker, employee and employer. This, however, is not for our time. We are only pioneers, whose duty it is to start the movement, leaving to our successors its full and free development as human society advances.

But what of existing inequalities, it will be asked; will not labor always suffer from the wasteful extravagance of the very rich? When we proceed to trace the work of wealth as a whole, it is soon found that even these extravagances absorb but a small fraction of it. The millionaire's funds are all at work; only a small sum lies in bank subject to check. All that the millionaire can get out of life is superior food, raiment and shelter. Only a small, a very small, percentage of all his millions can be absolutely wasted. When the socialist, therefore, speaks of all wealth going back to the state, he proclaims no great change in its mission. The state, sole owner, would use it just as the owners now use all but a fraction of it; that is, invest it in some of the multiform ways leading to the reward of labor. It is simply a question whether state as against individual control of wealth would prove more productive, which, judging from experience of state and individual management so far as yet tested, may gravely be doubted.

But further, as regards great fortunes, there can be no hereditary aristocracy of wealth. Where it is left free, as a rule, it passes in three generations from shirtsleeves to shirtsleeves in all English-speaking lands except the United Kingdom, where the law of primogeniture and legal settlements guard a hereditary class and defeat the operation of the natural law. In free lands the children of millionaires and their children may be safely trusted to fulfil the law; to keep a fortune is scarcely less difficult than to acquire it. Wealth is

dispersive where unbuttressed by special laws designed to keep it in certain channels, all of which laws should be promptly repealed.

Wealth in America, the land of greatest fortunes, never yet has passed beyond the third generation. It seldom gets so far. We have a few, a very few, families of the third generation now spending the fortunes made by their grandfathers. The two or three greatest fortunes of their day are now being freely distributed among the children and grandchildren, and will be reduced to moderate sums for each when the present children reach maturity; as certain as fate many of their descendants will be found toiling as their able ancestors did in their shirtsleeves. We may safely trust those who have not made the money to prove adepts in squandering it.

Even if great fortunes were not promptly dissipated by those who inherit them, another remedy lies at hand. A heavy progressive tax upon wealth at death of owner is not only desirable, it is strictly just. For after making full allowance for differences in men, it still remains true that contrasts in their wealth are infinitely greater than those existing between them in their different qualities, abilities, education and except the supreme few, their contributions to the world's work. It should be remembered always that wealth is not chiefly the product of the individual under present conditions, but largely the joint product of the community.

It is not denied that the great administrator, whether as railroad builder, steamship-owner, manufacturer, merchant or banker, is an exceptional man, or that millions honestly made in any useful occupation give evidence of ability, foresight, and assiduity above the common, and prove the man who has made them a very valuable member of society. In no wise, therefore, should such men be unduly hampered or restricted as long as they are spared. After all, they can absorb comparatively little, and generally speaking the money-making man, in contrast to his heirs, who generally become members of the smart or fast set, is abstemious, retiring, and little of a spendthrift. The millionaire himself is probably the least expensive bee in the industrial hive, taking into account the amount of honey he gathers and what he consumes. Practically every thousand of his money is at work for the development of the country, and earning interest, much of it paying labor.

In the interests of the community, therefore, he should not be disturbed while gathering honey, provided it be destined largely for

the general hive, under a just system of taxation, when he passes away. When the working bees die, the nation should have a large portion of the honey remaining in the hives. It is immaterial at what date the collection is made, so that it comes to the national treasury at last.

Such, then, is the writer's answer to the question of enormous fortunes and the advancement of labor. Given a just system of taxation, and a system of partnership between labor and capital, and there is no assignable limit to the progress of the worker. Let us never forget that under present conditions the world has grown and is growing better, and we steadily approach nearer the ideal. Never was there so much of the spirit of brotherhood among men, never so much kindness, never so much help extended by men, and especially by women, to their less fortunate fellows. Whatever the future may have in store for labor, the evolutionist, who sees nothing but certain and steady progress for the race, will never attempt to set bounds to its triumphs, even to its final form of complete and universal industrial co-operation, which I hope is some day to be reached.